

THE HONORABLE _____

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

Bitmain Technologies Ltd.,

Plaintiff,

v.

John Doe,

Defendant.

No. 2:18-cv-1626

COMPLAINT

JURY TRIAL REQUESTED

Bitmain Technologies Ltd. (“Plaintiff” or “Bitmain”) hereby complains and alleges against John Doe (Defendant) as follows:

I. NATURE OF THE ACTION

1. Plaintiff Bitmain brings this action against the as-yet-to-be-identified “John Doe” thief who stole valuable Bitcoin (BTC) from Bitmain through unauthorized hacking/access into online accounts. Bitmain seeks to identify the person responsible, hold them accountable, and recover its stolen property.

2. This is an Action based upon: (1) the Computer Fraud and Abuse Act (“CFAA”), 18 U.S.C. § 1030, et seq., (2) Washington Cybercrime Act, RWA § 9A.90, et seq., and (3) the Common Law of conversion, to recover stolen property, seek damages and enjoin John Doe’s malicious and unauthorized access and use of Plaintiff’s digital

1 wallet. John Doe's actions violated the CFAA, Washington's Cybercrime Act, and the
2 Common Law of conversion/theft.

3 **II. JURISDICTION & VENUE**

4 1. This Court has federal question jurisdiction of this action under 28 U.S.C. §
5 1331 because this action alleges violations of the CFAA.

6 2. This Court may also exercise diversity jurisdiction over these claims under
7 28 U.S.C. § 1332(a) because (1) the matter in controversy exceeds the value of \$75,000,
8 exclusive of interest and costs and, depending on the identity of John Doe, (2) the
9 controversy is between individuals that are citizens of different jurisdictions.

10 3. Venue is proper in this District under 28 U.S.C. § 1391(b)(2). Depending
11 on the residence of defendants, venue may be proper under 28 U.S.C. § 1391(b)(1) or (3)
12 as well.

13 **III. PARTIES**

14 4. Plaintiff Bitmain is a privately-owned company with its principal place of
15 business in Beijing, China.

16 5. On information and belief, Defendant John Doe is an individual. John
17 Doe's true name, identity, and physical location are not known at this time.

18 **IV. FACTS & BACKGROUND**

19 1. Plaintiff Bitmain is the world's largest designer of ASIC chips for Bitcoin
20 mining and has offices throughout Asia, Europe, and the United States.

21 2. Binance ("Binance") is a cryptocurrency trading platform and has offices in
22 China and Japan. Binance uses computers and computer servers to operate its trading
23 platform and to host custodial digital cryptocurrency wallets. Binance's computer
24 systems assist in facilitating foreign and interstate commerce in the digital asset trading
25 community.
26

1 3. Binance’s cryptocurrency trading platform allows account holders to trade
2 digital assets through an automated trading system or order book. Account holders can
3 trade digital assets on the system by placing “buy” and “sell” orders for specific digital
4 assets at specific price ranges. The Binance system automatically executes trades (and
5 fills orders) through its system when there is a match between the buy and sell placed
6 between account holders.

7 4. Bittrex, Inc. (“Bittrex”) is a cryptocurrency trading platform and has offices
8 in Seattle, Washington. Bittrex uses computers and computer servers to operate its
9 trading platform and to host custodial digital cryptocurrency wallets. Bittrex’s computer
10 systems and platform assist in facilitating foreign and interstate commerce in the digital
11 asset trading community.

12 5. Plaintiff Bitmain holds the cryptocurrency Bitcoin (“BTC”) in an online
13 custodial wallet for digital assets (“Bitmain’s digital wallet”) that is hosted and operated
14 by Binance.

15 6. On or about April 22, 2018, John Doe accessed Bitmain’s digital wallet
16 without authorization (“unauthorized access”).

17 7. While accessing Plaintiff Bitmain’s digital wallet without authorization,
18 John Doe used BTC held in Bitmain’s digital wallet to purchase the digital asset known
19 as MANA coin (“MANA”) and other digital assets at inflated prices, to trade other digital
20 assets in and out of Bitmain’s digital wallet, and to take actions that resulted in the
21 removal and theft of BTC from Bitmain’s digital wallet.

22 8. Specifically, John Doe placed a purchase order from Bitmain’s digital
23 wallet offering to use Bitmain’s BTC to buy MANA and other digital assets at a price
24 that was far above the going market rate. Furthermore, because MANA has a small
25 market size, in order to further raise MANA price above the going market rate, John Doe
26 placed a purchase order from Bitmain’s digital wallet offering to use Bitmain’s BTC to

1 buy the cryptocurrency Ethereum (“ETH”), and then placed another purchase order from
2 Bitmain’s digital wallet offering to use Bitmain’s ETH to buy MANA.

3 9. Upon information and belief, John Doe controlled a separate Binance
4 digital wallet (“John Doe’s Binance wallet”) that he/she simultaneously used to place a
5 sell order for MANA offering to trade MANA for BTC at a correspondingly inflated
6 price.

7 10. Upon information and belief, Binance’s automated system matched the
8 inflated MANA sell order with the inflated MANA purchase order and executed the
9 trade. In this way, John Doe effectively orchestrated both sides of the trade to transfer
10 Bitmain’s BTC into John Doe’s digital wallet. (See Charts 1 & 2 below).

11 11. The MANA from John Doe’s digital wallet that ended up in Bitmain’s
12 digital wallet was far less valuable than the BTC stolen out of it because of the way John
13 Doe had manipulated the sell and purchase prices and artificially inflated the market price
14 for MANA.

15 12. As part of this scam, John Doe had previously transferred 2,299,964
16 MANA from an account he/she controlled on the Bittrex cryptocurrency trading platform.
17 At the time John Doe transferred the MANA into his/her Binance wallet, MANA was
18 worth approximately \$0.094586 per MANA coin. Through his unauthorized access to
19 Bitmain’s digital wallet and market manipulations, John Doe was able to transfer or
20 “sell” that MANA into Bitmain’s digital wallet at an artificially inflated set of prices that
21 ranged between approximately \$0.1997 and \$0.33953 per MANA.* This represented a 70
22 to 192 percent increase over the market rate that MANA had been trading.

23 13. Upon information and belief, John Doe took his/her market manipulating
24 and theft scam a step further by essentially reversing the same orchestrated trades

25 * 4/22/2018 21:10:12 to 22:04:09 — During this time period, the exchange rate of MANA for BTC was 0.00001699-
26 0.00001718. John Doe set the selling orders at 0.00002235BTC to 0.00003800BTC, which works out to the above
USD exchange rate based on the USD-BTC trading rate that day.

1 between Bitmain's wallet and John Doe's wallet using a deflated MANA price. While
 2 accessing Bitmain's digital wallet without authority, John Doe placed an order to sell
 3 MANA out of Bitmain's digital wallet at a deflated price. At the same time, John Doe
 4 placed a purchase order for MANA at that deflated price from the John Doe's Binance
 5 wallet. (See Charts 1 & 2 below).

6 14. Upon information and belief, Binance's automated system matched the
 7 deflated MANA sell order with the deflated MANA purchase order and executed the
 8 trade and John Doe obtained significant gains—at the expense of Bitmain. As a result,
 9 John Doe benefitted twice from transferring MANA into and out of Bitmain's digital
 10 wallet.

11 15. Upon information and belief, after John Doe had completed his/her theft of
 12 BTC from Bitmain, he/she transferred that BTC out of the John Doe's Binance wallet and
 13 ultimately into a digital wallet on the Bittrex cryptocurrency trading platform.

14 **Chart 1:**

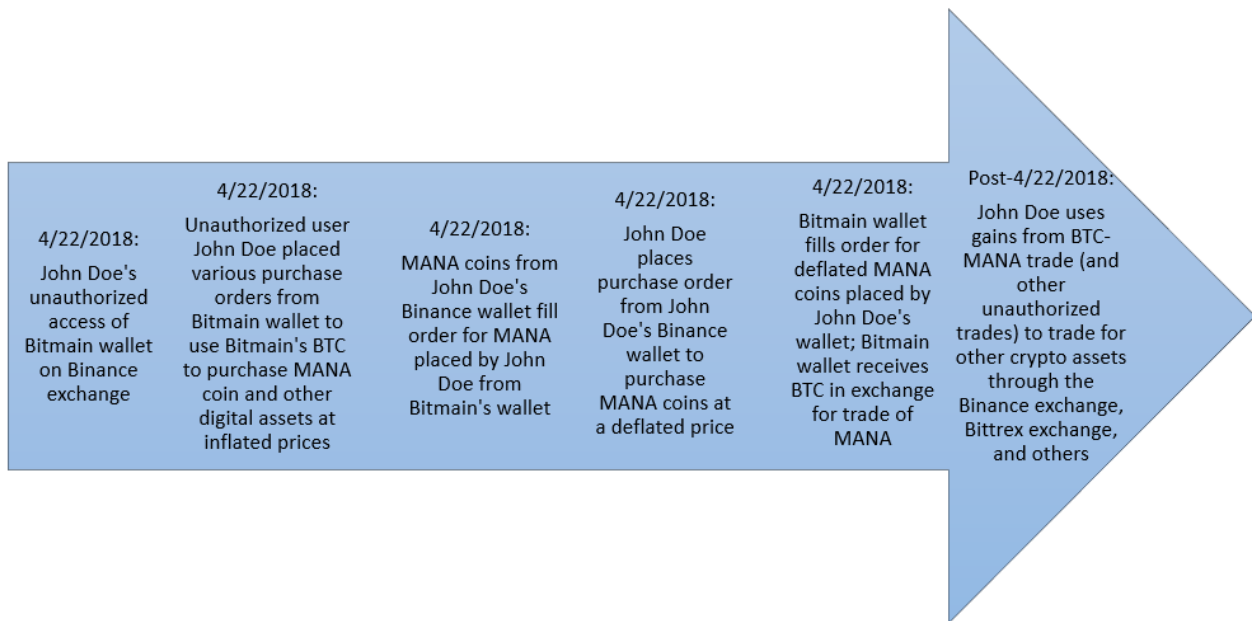
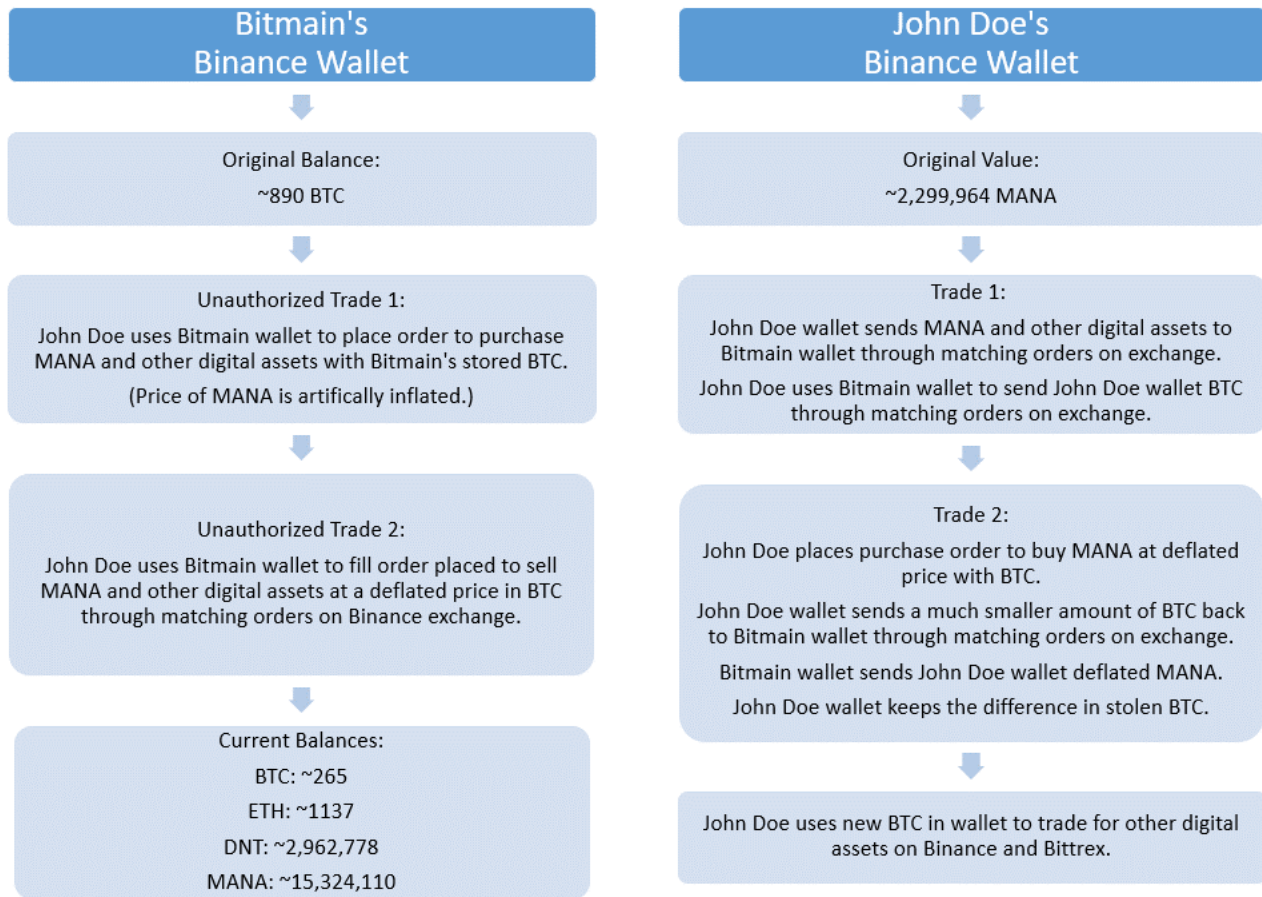
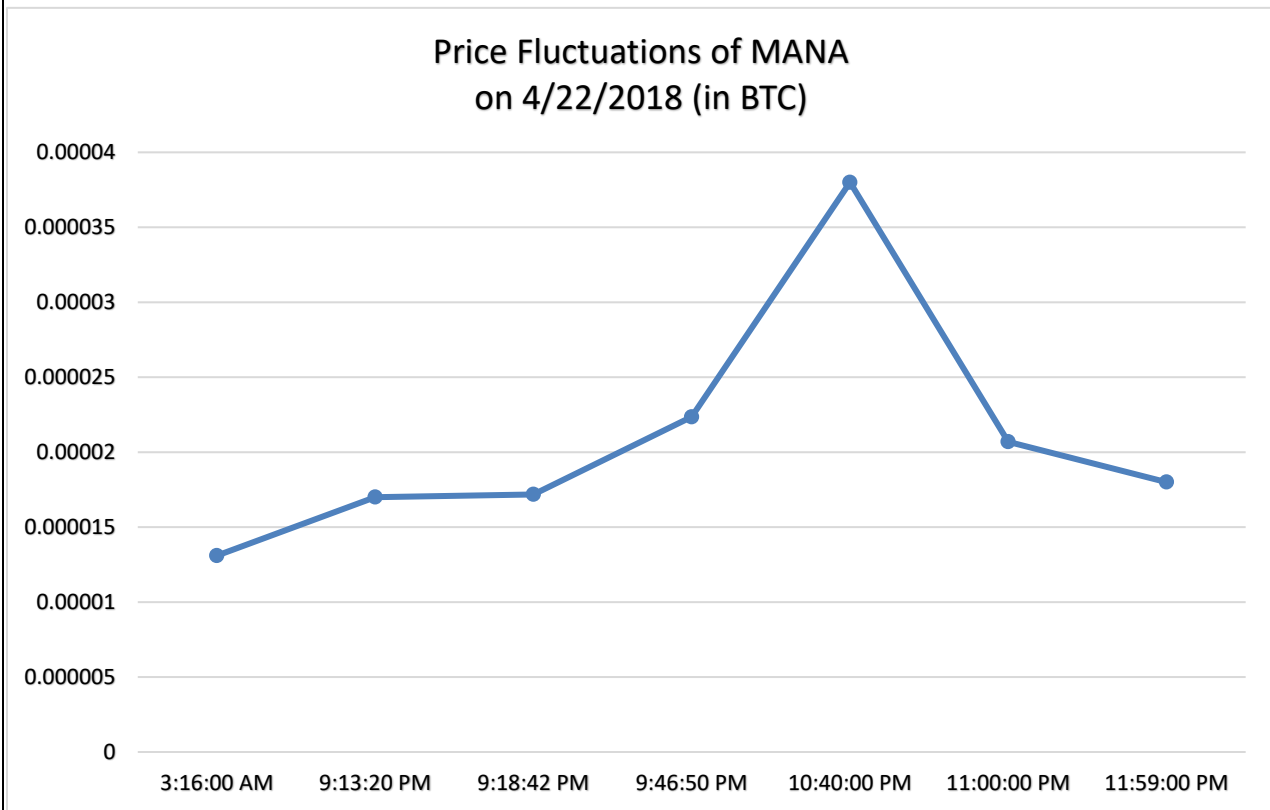


Chart 2:**



16. Upon information and belief, John Doe's conduct manipulated the market and took advantage of the resulting significant price fluctuations of MANA when he/she orchestrated trades in and out Bitmain's digital wallet. (See Chart 3).

** NOTE: This chart demonstrates how BTC was stolen by John Doe but does not include all the transactions that John Doe executed from Bitmain's digital wallet on the Binance trading platform. Bitmain may seek to prove additional transactions as more facts are developed.

Chart 3

17. Before the unauthorized trades on April 22, 2018, Bitmain's digital wallet held approximately 890 BTC. After the unauthorized trades, Bitmain's digital wallet had approximately 265 BTC. This represents a theft of approximately 617 BTC.

18. On April 22, 2018, the day John Doe stole Bitmain's BTC, 1 BTC was worth approximately \$8,935.00.

V. CAUSES OF ACTION

FIRST CLAIM

CFAA, 18 U.S.C. § 1030(a)(5)(A)(ii), (iii) (Unauthorized Access)

19. Plaintiff Bitmain hereby restates and realleges the allegations set forth in the preceding and following paragraphs and incorporate them herein by reference.

1 20. Binance’s computers and computer systems are “protected computers”
2 under the Federal CFAA, 18 U.S.C.A. § 1030(e)(2).

3 21. Plaintiff Bitmain’s custodial wallet is a computer system on the Binance
4 trading platform that is a “protected computer” under the Federal CFAA, 18 U.S.C.A. §
5 1030(e)(2).

6 22. John Doe knowingly and intentionally accessed a protected computer
7 without authorization and with an intent to defraud, specifically accessing Plaintiff
8 Bitmain’s custodial wallet on the Binance trading platform and executing trades and
9 transfers of Bitcoin and other digital assets and engaging in unauthorized use.

10 23. By means of such conduct, John Doe furthered the intended fraud and
11 obtained things of value, specifically Bitcoin and other digital assets, causing a loss to
12 Bitmain exceeding \$5,500,000.

13 24. As part of the scheme to fraud and theft, John Doe also knowingly
14 transferred the Bitcoin he/she stole from Bitmain’s custodial wallet to an account on the
15 Bittrex Seattle-based trading platform.

16 25. John Doe’s unauthorized access and scheme to defraud was across state
17 lines and accomplished using the Internet, which is used in interstate and foreign
18 commerce and communications.

19 26. The protected computers were used in interstate and foreign commerce and
20 communications. To the extent that the protected computers were located outside the
21 United States, they were used in a manner that affects interstate and foreign commerce
22 and communications in the United States.

23 27. John Doe’s conduct has caused other damage and loss to Plaintiff Bitmain.

24 28. Defendant’s activities constitute a violation of the federal CFAA,
25 18 U.S.C.A. § 1030(a)(4) and Plaintiff Bitmain is entitled to damages under that Act.
26

29. Plaintiff Bitmain is also entitled under the Act to injunctive and equitable relief against defendants.

SECOND CLAIM

Washington Cybercrime Act, CWA § 9A.90.040 (Computer trespass in the second degree)

30. Plaintiff Bitmain hereby restates and realleges the allegations set forth in the preceding and following paragraphs and incorporate them herein by reference.

31. Defendant, without authorization, intentionally gained access to a computer system of Binance and Plaintiff's digital assets held on the Binance platform.

32. John Doe's conduct has caused damage and loss to Plaintiff Bitmain.

33. Defendant's activities constitute a violation of the Washington Cybercrime Act, CWA § 9A.90.040, and Plaintiff Bitmain is entitled to damages under that Act.

THIRD CLAIM

Washington Cybercrime Act, CWA § 9A.90.100 (Electronic data theft)

34. Plaintiff Bitmain hereby restates and realleges the allegations set forth in the preceding and following paragraphs and incorporate them herein by reference.

35. Defendant intentionally, and without authorization, and without reasonable grounds to believe that he or she had such authorization, obtained electronic data with the intent to defraud Plaintiff Bitmain of the funds held in its Binance custodial wallet.

36. Defendant intentionally, and without authorization, and without reasonable grounds to believe that he or she had such authorization, obtained electronic data with the intent to wrongfully control, gain access to, or obtain cryptocurrency from the Plaintiff's custodial wallet on the Binance platform.

37. Defendant's activities constitute a violation of the Washington Cybercrime Act, CWA § 9A.90.100, and Plaintiff Bitmain is entitled to damages under that Act.

FOURTH CLAIM
Conversion

38. Plaintiff Bitmain hereby restates and realleges the allegations set forth in the preceding and following paragraphs and incorporate them herein by reference.

39. John Doe has willfully interfered with and converted Plaintiff Bitmain's personal property, as a result of which Bitmain has been deprived of possession and use of its property.

40. John Doe had no lawful justification to interfere with Plaintiff Bitmain's cryptocurrency wallet or the contents therein.

41. As a result of John Doe's actions, Plaintiff Bitmain has been damaged in an amount to be proven at trial but no less than \$5,500,000.00 of value.

VI. Jury Demand

21. Pursuant to Federal Rule of Civil Procedure 38(b), Bitmain demands a trial by jury as to all issues so triable in this action.

VII. PRAYER FOR RELIEF

Plaintiffs request that the Court:

A. For judgment in favor of plaintiff, and against defendant, for damages in such amounts as may be proven at trial;

B. For punitive or exemplary damages as authorized by law;

C. For forfeiture of any property, including computers and servers, used to commit the acts described above as authorized by law;

D. For attorneys' fees and costs as authorized by law; and

E. For such other relief as the Court may deem just and proper.

1 RESPECTFULLY SUBMITTED this 7th day of November, 2018.

2 By: /s/ Joseph P. Cutler
3 Joseph P. Cutler WSBA No. 37234

4 **Perkins Coie LLP**
5 1201 Third Avenue, Suite 4900
6 Seattle, WA 98101-3099
7 Telephone: 206.359.8000
8 Facsimile: 206.359.9000
9 JCutler@perkinscoie.com

10 KEVIN R. FELDIS
11 (*pro hac vice pending*, AK Bar No. 9711060)
12 KFeldis@perkinscoie.com
13 1029 West Third Avenue
14 Suite 300
15 Anchorage, AK 99501-1981

16 KENDRA L. HAAR
17 (*pro hac vice pending*, AZ Bar No. 030959)
18 KHaar@perkinscoie.com
19 Perkins Coie, LLP
20 2901 North Central Avenue
21 Suite 2000
22 Phoenix, AZ 85012-2788

23 Attorneys for Plaintiff
24
25
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